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Assistance to Myanmar

Note by the Administrator

Summary

The present report contains the major conclusions, recommendations and strategic challenges identified by a two-member international independent assessment mission of the Human Development Initiative (HDI) phase IV (2002-2004). The mission carried out its work in Myanmar during the period 11-30 August 2003, in accordance with the guidelines set out in Executive Board decisions 96/1 of 16 January 1996, 98/14 of 19 June 1998, 2001/15 of 14 September 2001 and 2003/2 of 23 January 2003. The report of the previous HDI assessment mission was presented to the Board in January 2003 (see document DP/2003/3). Following a nine-month delay in Government endorsement, the HDI-IV projects began operations in January 2003 and are now being fully implemented.

The Administrator notes that: (a) the 2003 HDI assessment mission was carried out in August 2003; and (b) the Resident Representative presented a preliminary oral report on some very key findings of the mission to the Executive Board at its second regular session in September 2003. Overall, the mission concluded that all HDI-IV projects are clearly and expressly designed to conform to the relevant Governing Council and Executive Board decisions. UNDP and project staff are fully committed to implementation of the mandate and all project activities are in compliance with the decisions. The mission also presented a number of challenges, constraints and recommendations, which the Board may wish to consider for implementation under the HDI. The full text of the report of the independent assessment mission is available from the Executive Board secretariat upon request.

Elements of a decision

The Executive Board may wish to: (a) take note of document DP/2004/8 and the report submitted by the independent assessment mission to Myanmar, in particular the strategic challenges and recommendations mentioned therein; and (b) request that the Administrator take account of and implement the findings of the independent assessment mission, as appropriate, during the HDI phase IV.

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Contents

		Page
I.	Background and purpose	3
II.	Conformity with Governing Council/Executive Board mandate	3
III.	Assessment by independent mission	4
	A. Human needs in Myanmar	4
	B. UNDP response	5
IV.	Monitoring and evaluation	6
V.	Strategic challenges and recommendations	6
VI.	Conclusions of the independent mission	8

I. Background and purpose

1. Since 1993, UNDP assistance to Myanmar has been carried out in compliance with the guidelines established in Governing Council decision 93/21 and Executive Board decisions 96/1, 98/14, 2001/15 and 2003/2. In accordance with these decisions, resources are allocated to meet critical humanitarian and basic human needs in Myanmar and are clearly targeted towards programmes having a sustainable impact at the grass-roots level in the areas of primary health care, the environment, HIV/AIDS, training and education, and food security. Projects have been formulated and coordinated within a framework entitled the Human Development Initiative (HDI). The first phase of the HDI (15 projects) was implemented between 1994 and the end of 1996. The second phase extension (HDI-E) comprised 10 projects, which were concluded in late 1999. HDI phase III projects were initiated in late 1999 pursuant to Executive Board decision 98/14. Seven HDI phase III projects were completed in February 2002 and have been succeeded by an integrated community development project. This project, and the HDI-III community development project in remote border areas, form the core of the HDI. Together with the remaining three projects, these have been carried over into the fourth phase of the HDI, which comprises six projects with a total budget of $22 million.

2. In its recent decision 2003/2, the Executive Board reaffirmed previous Governing Council and Executive Board decisions. The Board also encouraged UNDP, within its mandate, to enhance the impact of the HDI phase IV, taking into account the report submitted by the 2002 independent assessment mission. The 2003 HDI-IV assessment mission reviewed the extent to which assistance to Myanmar continues to meet the provisions of relevant Governing Council/Executive Board decisions and the progress and challenges in the implementation of HDI project activities. Accordingly, the results of the mission conducted in August 2003 are being presented to the Board at its current session.

3. The present report contains the major findings, conclusions and recommendations of a two-member international independent assessment mission that was conducted from 11-30 August 2003 in Myanmar. The mission examined global HDI issues, conformity with the Governing Council/Executive Board mandate, and challenges and constraints in the implementation of project activities.

II. Conformity with Governing Council/Executive Board mandate

4. Throughout its extensive consultations and field visits, the mission constantly explored the question of conformity of HDI phase IV with the Governing Council/Executive Board decisions. The mission concluded that HDI-IV projects are clearly and expressly designed to conform to these decisions. All UNDP and project staff are fully aware of the mandate and are committed to its implementation. While implementation of HDI phase IV is still at an early stage, all project activities to date are also in compliance with these decisions, and there is every reason to believe that this will continue throughout the phase. The mission also highlighted some key points within the context of Governing Council decision 93/21 concerning the issue of sustainability. The mission report includes some comments and suggestions for

enhancing work in this area. It also states that the sustainable impact of grass-roots programmes everywhere is ultimately dependent on a policy, legal and regulatory environment that is enabling and supportive. The excellent grass-roots experience gained by UNDP is now ready to serve as a basis for dialogue with stakeholders that could lead to improvements in policies that affect the lives of the rural poor.

III. Assessment by independent mission

5. While HDI phase IV is still relatively new, the mission examined its progress over the last few months in meeting basic human needs and noted that: (a) there has been considerable advancement in the mechanisms for identifying poorer households in the villages to improve targeting HDI interventions to the most needy; (b) HDI phase IV is better focused and more coherent than earlier phases; (c) the inter-sectoral approach is likely to have a greater impact on the target population at less cost; (d) HDI phase IV provides opportunities for better linkages between micro-finance activities, the agricultural sector review and the rest of the programme; (e) more attention is needed over the long term to sustain community-based organizations; (f) HDI phase IV deserves high marks for its programme approaches to empowerment of the target group and to income and gender equity; (g) the micro-finance project is making a significant contribution in promoting the income and savings of the poor. The project is well conceived and managed and achieves impressive financial sustainability in a difficult environment. Its ability to expand is constrained by the related challenges of under-capitalization and institutionalization; (h) the HIV/AIDS project contains many useful elements but would benefit from sharper focus; and (i) the combination of direct field experience having a positive impact and the ability to represent the concerns of the poor on the national and international stages is a compelling justification for HDI.

A. Human needs in Myanmar

6. There is a paucity of data on poverty and human needs in Myanmar and almost no reliable and consistent information on trends. According to the household economic survey carried out in 1997, one quarter of the population (approximately 10 million people) existed in conditions of severe and acute poverty, with the proportion being almost equal in urban and rural areas. Since that time, the proportion of both urban and rural poor seems to have increased substantially given recent events and current trends in the macro-economic environment. However, the largest number of acutely poor people is still situated in the rural areas.

7. Based on direct field observations and available data, the mission made some tentative conclusions on the nature of poverty in Myanmar. There is enormous variation across the country in terms of agro-climatic zones, cropping patterns and types of social organization while at the same time, there seem to be some general characteristics. Rural Myanmar is not considered a subsistence economy with the majority of farmers growing crops and cereals for their own consumption. There is a high degree of monetization of the rural economy associated with considerable specialization on cash crops that can be sold to buy rice and other essentials.

8. The great majority of the rural population are quite poor, with wage rates varying between 60 cents and $25 per day. Chronic malnutrition rates are high, affecting two out of five rural children. While physical access to primary schools may be possible, the cost of uniforms, textbooks and tuition makes it unaffordable for many, resulting in a high drop-out rate. In addition, access to higher grades of basic education makes it more difficult for rural families because of physical distance and rising costs. Less than half the rural population has access to safe water or proper sanitation. Malaria is rampant and is the leading cause of mortality and morbidity; tuberculosis is widespread; and the increasing spread of HIV infection is cause for serious national concern. Landless people represent 30-40 per cent of the rural population and subsist primarily on casual labour, earning mostly meagre wages.

B. UNDP response

9. Outside the United Nations system, there is no official development assistance devoted to addressing problems of rural poverty. Within the framework of its mandate, the HDI is having a direct impact on a large number of rural poor people in the townships where it is operating. It continues to search out innovative approaches to community-based development that will enable the rural poor to make and implement decisions on their own futures. However, this requires highly concerted efforts in respect of creating local governance structures and systems. UNDP is well positioned to assess the impact of rural poverty and the implications of policy on the poor. This is yet another justification for the inclusion of the Household Economic Survey as an integral part of HDI phase IV.

10. The current phase of HDI comprises six projects, three of which are new to this phase. They include two integrated community development projects; micro-finance; HIV/AIDS; the agriculture sector review; and the integrated household living conditions assessment. Overall, HDI phase IV aims to provide assistance to 3 900 villages in 24 townships (approximately five per cent of all villages in the country).

11. Project interventions have become even more focused and explicit in HDI phase IV. With the aim of identifying and targeting the most disadvantaged households, HDI phase IV has devised a sophisticated process for selection of townships and villages within townships as principal beneficiaries of its community development projects. Two large area-based projects constitute the core of HDI phase IV. Based on the experience gained from previous HDI phases, there is greater emphasis on increasing incomes of poor households in each village, especially through HDI micro-finance interventions. In addition, the two community-based projects have refined their efforts to mobilize local groups within the target villages and empower them to implement their decisions on development activities. This effectively creates a basis for allocation of project resources. The integrated approach to project interventions is aimed at enhanced cost-effectiveness, taking account of the drastic reduction in the overall target for resource assignment from the core (TRAC) resources for the current cycle.

12. Initial work on the agriculture sector review and the living conditions survey has already begun and will be intensified in 2004. The agriculture sector review runs the risk of not living up to its full potential in terms of contributing to the analysis of pro-poor policies in the rural sector. Ways and means should be found to augment the

agriculture sector review team with community development and forestry specialists. This would strengthen the capacity of the team to assess and recommend ways in which the policy and regulatory environment can be improved in a manner that will benefit the rural poor.

13. The micro-finance project is making a significant contribution to the well-being of its target groups amongst the poorest segments of society. It has an excellent track record in promoting a disciplined approach to credit and savings, in fostering financial sustainability and in repayments. The project covers 1 700 villages with a total in current outstanding loans at Kyats 2 536 billion, and an outstanding repayment record of nearly 100 per cent. However, the project's ability to expand to meet the full demands of existing borrowers, offer new products and serve new borrowers, is constrained by the challenges of under-capitalization and institutionalization.

14. UNDP was the first organization to address the issue of HIV/AIDS in Myanmar. Project activities are concentrated in areas considered at high risk for the spread of HIV infection. Project interventions now extend beyond the current 24 HDI townships and have been instrumental in bringing together United Nations institutions, non-governmental organizations (NGOs) and the National AIDS Programme in formulating the Joint Programme on HIV/AIDS 2003-2005. At the field level, the project has established an extensive delivery mechanism that is being supported by programme coordinators and volunteers at the village and township levels. The project is providing a broad range of services. These are extremely valuable given the extent of the epidemic and the limited resources available. However, the mission believes that due to the short phases of HDI, the sustainability of activities beyond UNDP funding for HIV/AIDS is questionable. UNDP is examining its role critically to find a sharper focus in conformity with its mandate and to achieve the maximum comparative advantage.

IV. Monitoring and evaluation

15. The mission noted that HDI-IV projects are implementing the recommendations of the 2002 independent assessment mission. Monitoring and evaluation mechanisms are being restructured to adapt to the new, integrated focus of HDI phase IV. The mission noted that several of the monitoring and evaluation elements could be further enhanced by means of: (a) compilation and inclusion of a structured knowledge base; (b) impact evaluations; (c) process monitoring; and (d) contributions to policy analysis based on lessons learned.

V. Strategic challenges and recommendations

16. The core TRAC allocation for HDI phase IV has declined to just below 50 per cent from previous HDI phases. This calls for a well-thought-out programme strategy and refocusing while at the same time aiming to achieve greater sustainable impact on the well-being of the poor in rural Myanmar. The mission noted that while considerable progress has been made in this regard, there is still scope for

improvement, including with respect to the integration and coherence of some project activities.

17. It is quite evident that the sustainability of grass-roots projects is dependent on the existence of a supportive, pro-poor legal and regulatory environment. In this regard, UNDP has a vital opportunity to build on its field experience, its access to the voices of the poor and its nationwide surveys under HDI phase IV to engage all stakeholders in a dialogue on this issue. While the living conditions survey will contribute to this process, realization of the full potential of the agriculture sector review is very much dependent on a supportive policy environment.

18. The micro-finance project continues to be highly successful in the HDI target villages. Without additional capital, however, it will be impossible to expand operations to respond to the extensive demands from other rural villages and townships. Due to rapid inflation, the additional capital injection of $600 000 under HDI phase IV permits only limited growth. In addition, the high level of rural indebtedness to informal sources of credit has sparked great demand for the cheaper, more accessible credit offered under the HDI. The assessment mission feels that the single policy change with the most impact on rural poverty would be the creation of a legal and regulatory framework to actively support the institutionalization of micro-finance services. At the present, neither the commercial banking law nor the cooperative legal framework offers adequate policy and regulatory instruments for the institutionalized operation of micro-finance. The mission encourages UNDP and its partners to dialogue with government on the importance of micro-finance in rural poverty alleviation and on an appropriate, sound institutional basis for sustainability.

19. Given the limited resources available for the struggle against HIV/AIDS, there is a need to refocus certain interventions. The assessment mission is of the view that the comparative advantage of UNDP lies in its ability to coordinate the HIV/AIDS efforts of several United Nations organizations and to support the joint programming mechanism facilitating policy dialogue and the articulation of national policy and programme strategy. There is also a need to improve public education on HIV/AIDS and to advocate for human rights issues and care for those infected. The mission feels that there may be some duplication of effort by UNDP and other United Nations organizations and NGOs, detracting from the comparative advantage of UNDP. The mission recommends that UNDP delegate some of these activities to NGOs with the capacity to take on programme activities through partnership arrangements, while UNDP concentrates its efforts on developing the managerial and technical skills of civil society organizations, with particular emphasis on capacity-building for prevention and care.

20. Reinforcing the recommendations of the 2002 independent assessment mission, it was noted that HDI phase IV represents a unique opportunity to contribute positively to the evolution of a policy, legal and regulatory framework to tackle the problem of poverty in Myanmar and promote rapid, equitable development. This would also have a long-term impact on the sustainability of HDI interventions. Two immediate operational avenues would be the living conditions survey and the agriculture sector review. In addition, the rich and valuable experience of a decade of HDI can be tapped to determine how such a policy could best be shaped to ensure pro-poor development. The mission recommended some key steps towards improving the in-house capacity of UNDP to promote a dialogue

on the environment for pro-poor policies. The mission also identified some challenges faced by UNDP in sustaining village capacities.

21. The mission urged UNDP to look towards helping the rural poor move beyond subsistence and begin participating more fully in the wider rural economy. The mission noted that the policy environment, an institutionalized system of rural credit, vibrant community-based organizations and conduits to the larger economy were key elements in such a move. In this regard, it was noted that the time-frame for HDI phase IV was too short to address this challenge. Nevertheless, it would be useful for senior management and project staff to begin to consider future directions and priorities beyond the goals of HDI phase IV. Four key elements were highlighted in that connection: (a) an enabling environment; (b) an institutionalized system of rural credit; (c) vibrant community-based organizations able to evolve and meet new and emerging needs of the rural poor; and (d) development of conduits to the larger economy.

VI. Conclusions of the independent mission

22. The assessment mission concluded that the improved HDI phase IV is a thoroughly worthwhile programme. The two core area-based projects and the micro-finance project are providing substantial direct benefits to a large number of acutely poor people in rural Myanmar. The HIV/AIDS project is also addressing a major national challenge. The HDI approach to community organization holds promise for creating a system of local governance that promotes development, empowerment and equity.

23. The mission was pleased to find that many of the issues raised are being actively dealt with by UNDP and project staff. With the expectation that most of the issues will be successfully addressed, the mission recommended that the international community give serious consideration to supplemental non-core funding for HDI phase IV to enable the programme to address the challenges and recommendations of the mission. Additional non-core resources would also make it possible to strengthen relationships with community organizations so as to collaborate more effectively in ensuring sustainability and creating a model for local governance for the future. Such resources would also permit geographical expansion to new areas of greatest need; the expansion of micro-finance services in advance of their institutionalization; and the implementation of programmes designed to counter the degradation of the natural resource base.